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loans and the lending of public money, and then by ordering the complete withholding of government loans.[20]

More effective, because more easy to carry out, was Yang's policy of regulating trade balances. He required merchants to limit imports to values which would not exceed the value of exports. The object of this policy was both to prevent the draining of wealth from the province and to prevent Uighur merchants from banking their accumulated wealth in Russia (before the Russian Revolution), and also to stop Chinese merchants from holding their wealth in provinces other than Sinkiang. He himself, however, through Chinese merchants acting as his agents, sold Sinkiang exports, principally in Tientsin, and then banked the proceeds not in China but under the American flag in the Philippines.

During Yang Tseng-hsin's rule Sinkiang was forced to change its fiscal basis completely. Before the Revolution, the province had been heavily subsidized by the Imperial treasury. The annual subsidy was at one time as high as 2,920,000 taels; then it fell to 2,600,000 taels, and by the time of the Republic the poverty of the Central Government cut off the subsidy altogether. Yang Tseng-hsin then issued his own provincial paper currency to a face value of about 10,000,000 taels.[21] This measure inevitably caused an inflation and considerable hardship.

Eventually, no less than four paper currencies were established in the same province. The Urumchi, Turfan, Ili, and Kashgar regions each had its own currency, and each currency exchanged against the others at different rates. Each paper currency, carrying values not in dollars but in taels, had a subsidiary copper coinage. Only in the Kashgar region, with its two-way trade with both India and Russian Turkistan, was there a certain amount of silver backing, with silver coins in circulation in addition to paper.

[20] For these reforms or attempted reforms, see Tseng Wen-wu, *op. cit.*, pp. 595–596.

[21] Chiang Chün-chang, *Hsinchiang Chin-Yin Lun*, Nanking, 1936 (reprinted Chungking, 1939), p. 45 (in Chinese).

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The maintenance of different exchange rates in different parts of the province enabled the Governor to keep a political check on remittances. The undue concentration of money in any one part of the province, possibly indicating preparations for a political move of some kind, would be detectable through the resulting pressure on exchange rates.

Until the Russian Revolution, Tsarist Russia had by treaty the right to maintain branches of the Russo-Asiatic bank at Urumchi, Ili, Chuguchak, and Kashgar. (After the Russian Revolution, these branches continued to operate for some years under French protection.) Like other foreign banks in China, the Russo-Asiatic bank had the right to issue its own paper currency. In 1916, under the stress of war financing in Russia, it suddenly increased its note circulation in Sinkiang from one million to five million rubles.[22] Then, when the Russian ruble fell, it dragged the Sinkiang tael with it, thus aggravating the inflation in Sinkiang. In that year the total provincial revenue was a little over 5,200,000 taels and the budget deficit amounted to more than 700,000 taels. The most important source of revenue was the tax on cultivated land, which then totaled 10,500,000 *mu*.[23] The gold mined in Sinkiang in that year, under government license or monopoly, was worth less than 5000 taels.

The Provincial Government at this period had no money for irrigation schemes which might have opened large areas for cultivation. Poor finance and inflation not only hindered economic improvement through public works but intensified corruption among officials. While in all fairness it must be repeated that Yang Tseng-hsin was both an honest and a competent official by old mandarin standards, it must also be admitted that economic and political conditions toward the end of his rule were shrewdly summed up by the Swiss traveler Bosshard:

[22] *Hsi Pei Yen Chiu* (*Northwest Research*), Peiping, 1932, Vol. 6, issue of April 15, pp. 55 and 129 (in Chinese).

[23] The *mu*, a traditional land measure, varies from place to place. Six *mu* to the acre is often taken as an average figure.

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*175 661 lambskins were collected at only a tenth of the market value. Monopolies of this kind, through collection at the source of supply by the assertion of official authority, were common in China — especially in the frontier provinces. A Russian observer estimated that in Urumchi only 12 per cent of trade capital belonged to local merchants, 37 per cent to agents of foreign firms, and as much as 51 per cent to Chinese officials.[34]

*175 436 While Governor Yang had issued paper currency to a total of 10,000,000 taels, Governor Chin increased the inflation by expanding the issue to 145,000,000 taels. Under Yang, the paper currency had a uniform face value of one tael (subject to an exchange differential between regions, as described previously); under Chin, notes were issued in denominations of one, three, five, eight, ten, thirty, and fifty taels. At one time, a tael of silver (about one and one-third ounces) could be bought for two paper taels; by the end of Chin's regime, it took 80 taels in paper to buy a tael of silver.[35]

*175 Both Yang and Chin could be described favorably as "cautious" or unfavorably as "suspicious" in their dealings with foreigners. According to Sven Hedin: "Chin hated foreigners. He took a cynical pleasure in tripping them up, in hindering or frustrating their endeavors. . . . Marshal Yang had decided that a house should be placed at the disposal of the expedition so long as it remained in Sinkiang, arguing that our work was of benefit to the development of the province. For this house Chin demanded an unreasonable rent, which he made retroactive. For that matter, the narrow-minded despot treated everyone with the same meanness."[36] On the other hand, my wife and I, when traveling through Sinkiang in 1927, met with the most cordial treatment from Chin Shu-jen, who was then administrator of Aksu oasis.[37]

The completion in 1930 of the Turksib Railway, passing close

[34] M. Nemchenko, "The Colonial Regime and Agrarian Relations in Sinkiang," as already cited, p. 187.

[35] Chiang Chün-chang, *Hsinchiang Chin-Yin Lun*, p. 136. Chin frequently issued paper notes, the total of which amounted to 145,000,000 taels.

[36] Sven Hedin, *The Flight of "Big Horse,"* New York, 1936, p. 3.

[37] Owen Lattimore, *High Tartary*, Boston, 1930, pp. 304–306.

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*175 178 648 ment as well as the Provincial Government. Under the Nanking-Moscow Nonaggression Agreement of 1937, a through air route had been stipulated. Under the Soviet-Chinese Trade Agreement of June 16, 1939, a Sino-Soviet Aviation Corporation was organized. By the terms of these agreements, Russia obtained priority over other countries in air traffic, jointly with China, over Sinkiang.

*175 648 185 436 In 1941 Sheng decreed a second three-year plan. The economic activities of the Provincial Government were expanded through "Foreign Trade and Local Resources Companies." Reconstruction bonds were issued; and the combined effects of inflation in China and a trade boom in Sinkiang raised the exchange value of the Sinkiang dollar from the low point of 4000 to one Chinese national dollar in 1934 to a rate of six to one national dollar in 1942. At the time Sheng left the province in 1944, the rate was five provincial dollars to one national dollar. The boom was largely promoted by an arbitrary linking of the "official" exchange rate between American dollars and Soviet rubles, which enabled Sinkiang to buy from the Soviet-operated Sinkiang Trading Corporation at artificially favorable rates. During this period many Russians entered the province as technicians, but — according to the British observer already quoted, who visited the province in 1940 — there was nothing to suggest that Soviet administrative control was being forced on Sinkiang.

*175 648 In retrospect, it is clear that Sheng Shih-ts'ai was guided throughout by opportunity rather than by principle. Even while carrying out reforms, which for some years were encouragingly successful, he did not lose his concern for his own interest. This concern led him into a policy of sudden shifts in his relations with Russia, in contrast with the policy of steady neutrality pursued so long and so successfully by Yang Tseng-hsin. From 1933 to 1940 he leaned toward the Soviet Union and away from the National Government of China. From 1941 to 1942 he cut off his relations with the Russians roughly and suddenly, and threw himself on the support of the National Government in a manner suggesting he had little confidence in his own power in his own

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*175 497

In addition to other minor demands, General Chang wanted the assent of the Sinkiang nationalist leaders to the building of a railway into Sinkiang. From the government point of view, this was a reasonable project for the linking of a frontier province to the main body of China. From the point of view of the non-Chinese peoples of Sinkiang, railway communication meant the danger of being submerged by a flood of Chinese colonists.

*175 436

General Chang's final demand was that Sinkiang give up its separate provincial currency and adopt that of the National Government. From the Chinese point of view, this was a rational demand. From the Sinkiang point of view, it carried with it the danger that the wealth of Sinkiang would be freely pumped into China, without a compensating flow back from China into Sinkiang.[87]

*175 635

Before the deadlock could be broken General Chang gave up his post as Chairman of the Sinkiang Provincial Government. He retained, however, the post of Commander of the Generalissimo's Northwest Headquarters, which gave him general supervisory powers in Northwest China and Sinkiang. He was succeeded as Chairman in May 1947 by Masud Sabri, the elderly representative of an Uighur family of rich landholders and merchants.

In 1904, at the age of seventeen, Masud Sabri had gone to Turkey to study. After eleven years, spent mostly in Istanbul, he returned to Sinkiang in 1915, strongly influenced by the Turkish nationalism of Kemal Atatürk. In 1934, after practicing medicine in Ili for several years, he traveled through Kashgar to India and then by sea to China, where he soon became associated politically with the C.C. Clique. Through the support of this clique, and not through any process of nomination by supporters in Sinkiang, he was made a delegate from Sinkiang to the Kuomintang National Conference of 1936 and subsequently a member of the Central Executive Committee of the Kuomintang. During the war against Japan, the C.C. Clique placed him in the National Political Coun-

[87] The full text of Chang Chih-chung's speech was published in *Hsinchiang Jih Pao* (*Sinkiang Daily*), Urumchi, August 14, 1947 (in Chinese). Note the long delay before publication, indicating the political tension during these months.

Kazak

*563 The Kazakhs are
361 pastoral nomads, herding sheep, goats, horned cattle,
231 horses, and camels. Felt huts are used in the summer, but
342 most Kazakhs live in mud huts in the winter or, in mountain
221 country, in log cabins. Sheep and goats are the economic staple
[436] and serve as the units of exchange value. Poorer people live more
[262] on milk and cheese than on mutton; wealthier herd-owners eat
[291] more mutton. Sheepskins, tanned with the wool on them, are used for clothing; cotton textiles, used for lighter clothing or as a facing for the skin clothing, are acquired in trade. Felted wool is
[825] used to cover the round, conical-roofed tents. The horse, formerly important in war, is honored in Kazakh folklore for its beauty,
[276] bravery, and faithfulness. In modern times the wealthy keep herds of mares in order to be able to drink *kumis,* made by fermenting mare's milk.

*563 Like all pastoral nomads of Inner Asia, the Kazakhs have al-
361 ways had some acquaintance with agriculture. Rich men some-
463 times hire Uighurs or Chinese to cultivate grain for them on suit-
221 able land; on the other hand, poor Kazakhs, whose herds are not
241 large enough to sustain them, turn their herds over during the summer to richer clan relatives and work at cutting and storing hay or at cultivating grain or potatoes.

*563 Like other nomads, also, the Kazakhs do not wander planlessly.
221 Summer pastures belong collectively to a group of families form-
[618] ing a clan, identified by a common ancestor (real or fictitious);
361 these pastures lie within a larger territory in which jurisdiction
[592] is claimed by the larger unit, the tribe. Winter quarters more commonly belong to a single family, often the "large family" of several generations living together. The chief migrations are in spring, from winter quarters to summer pastures, and in autumn, from summer pastures back to winter quarters. The most hazardous migration is in spring, when herds are weak after the winter, when lambs are being born, and when spring blizzards may cause heavy losses.

Good winter quarters are much harder to find than good summer pastures; shelter and food must be in close combination. Hence the scarcity of suitable winter quarters rather than the amplitude of summer pastures determines the total population capacity of a nomad territory. In practice the wealthy families

[p. 130]

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Pastoral Nomadism

Figures for 1943 show 11,720,000 sheep and goats in Sinkiang, 1,550,000 cattle, 870,000 horses, and 90,000 camels.[1] Most of these are in Jungaria, and most are pastured in steppe land by nomad Kazakhs and Mongols. Smaller numbers are owned in the alpine pastures of the Kirghiz, and others by settled people on the fringes of cultivated land. Sheep, followed by beef cattle and draft cattle, are the most important market animals, and wool and hides are of course also sold. The Chinese provincial authorities like to demand horses from nomads in payment of taxes, which limits the number for sale. Camels are bred both for use by the nomads themselves in their migrations and for sale to Chinese trading caravans.

There are great variations in the techniques of herding animals. Cattle, horses, and camels each prosper best on a different kind of pasture. The best feeding grounds for one kind may lie quite distant from the best range for the other kinds. There are even considerable differences between animals as similar to each other as the yak and the cow, or the sheep and the goat. In the steppe pastures, sheep tend everywhere to prevail as the basic form of property; so much so that the sheep is the unit of exchange value, in terms of which the prices of other kinds of property are quoted. The basic reason for this is that in the steppe environment the grasses which can be eaten by sheep are more numerous and more widely distributed than the preferred feed of any other kind of animal.[2]

By skillful herdsmanship, the different kinds of animals can be maintained in combination. Much depends on the selection of pasture, on deciding how long to remain on a pasture, when to move, and how long to make the marches. Nomads do not break

[1] Chang Chih-yi, unpublished field notes.

[2] A count taken in the steppe area of Tannu-Tuva, where conditions are in general similar to a great part of Jungaria, showed 600 plant varieties, of which cows eat 56, horses 82, but sheep as many as 570.

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time buyers and users in Sinkiang admit not only the wearing quality of Soviet textiles but the ruggedness of Russian trucks, which truck drivers in Sinkiang and Northwest China consider superior to American trucks for rough work.

In recent years, the Soviet financial policy of enhancing the buying power of Sinkiang has taken the form of granting a 20 per cent premium in barter deals involving exchange of Sinkiang raw materials for Soviet manufactured goods. An actual example is a contract in which one package of Soviet-made cigarettes was made the unit of exchange for one catty (about 1.3 lbs.) of Sinkiang wool, at a time when the prevailing prices in Sinkiang were 8.40 Sinkiang dollars for a package of Soviet-made cigarettes and 7.00 Sinkiang dollars for a catty of wool.

In concluding this chapter, it should be said that in the year 1948 economic life in Sinkiang was in full crisis. Trade with the Soviet Union had practically ceased, and inflation within the province had become malignant. A little historical background must be sketched in to make the situation understandable.

The old Tsarist Russian ruble was formerly accepted in Sinkiang, and was in fact preferred to Chinese currencies. Branches of the Russo-Asiatic Bank operated in Urumchi, Kashgar, Kulja, and Chuguchak; they financed foreign trade, and provincial funds were placed on deposit with them. In 1913 the Russian ruble exchanged for eight Urumchi taels. In 1917, with the Russian Revolution, the ruble fell to .63 taels but did not collapse completely because all branches of the Russo-Asiatic Bank outside of Russia were taken under French protection and managed to keep operating for some years. By 1919, however, the old ruble was worth only .10 taels. A year or two later it was utterly worthless, while the new Soviet currency was suspect and unwanted.

A multiple provincial currency, sponsored by the Chinese Governor, Yang Tseng-hsin, then became the medium of trade and account, as described in Chapter III, by the Governor's policy of never issuing paper to the value of more than 20,000,000 taels. At the same time he allowed a number of taxes, including the land tax, to be paid in money instead of in kind. Money thus

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436 457 458

came back into the treasury as well as going out, and inflation was avoided.

In this period the Governor allowed trade with the Soviet Union to be opened. It was carried on at first chiefly by Moslem traders, many of them Russian-born Tatars. They took goods across the Soviet frontier and sold them to the Soviet state purchasing agency, and then bought goods from state commercial agencies and returned with them to Sinkiang. Then, in 1926, the Governor allowed the Soviet-Sinkiang Trade Agency, or Sovsintorg, to begin business with offices of its own established in Sinkiang. Trade and prosperity recovered until the assassination of the conservative old Governor, who had been an able administrator, in 1928.

A new period then began, which lasted until 1934. This period was marked by the Moslem insurrections, the invasion of Chinese Moslems from Kansu, and finally the Soviet intervention — which have already been described in Chapter III. The important oases of Komul, Khotan, and Kashgar withheld their taxes from the provincial treasury, which thereupon resorted to the printing of money. The devaluation of Sinkiang currency was rapid. In 1928 it had taken only three Urumchi taels to buy a Chinese dollar; by 1934 it took forty.

In 1934 Sheng Shih-ts'ai, with Soviet support, became the successful contender in the provincial civil war. Trade with the Soviet Union was restored, but it took some years to stabilize the currency. Then, in 1939, a new inconvertible paper currency was issued by the Provincial Commercial Bank as the only legal tender in the province. It is generally believed in Sinkiang that the success of this monetary reform was made possible by loans without interest from the Soviet Union.

In 1942, however, Sheng Shih-ts'ai came to the conclusion that the Soviet Union would either be defeated by Germany or would not recover its former power. Hitherto he had pursued a reform policy, both political and economic. From this time on, he began to combine printing-press inflation with trade monopoly and the

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ollection of the land tax and livestock taxes in kind, refusing for 436
.ne receipt of taxes the money issued by his provincial treasury. 457
He had already set up a Provincial Trading Company, which was 458
is personal agent in business; but up to this time it had com-
eted with private trade. In Kashgar, for instance, it handled only
bout 28 per cent of the trade, less than the proportion handled
y an Uighur firm called "Ittifatsherket." In 1942, however, a
monopoly of provincial trade was granted to the Provincial Trading Company, which operated on a capital of 2,500,000 United States dollars. Through this company the Governor purchased wool, livestock, cotton, furs, and other products at compulsory prices lower than the market prices, transported them on his own trucks, and sold them to Sovsintorg in exchange for Soviet manufactures. Until 1943 raw materials, though bought at compulsory prices, were paid for in manufactured goods; but further inflationary pressure was then created by paying for such purchases only partly in goods and partly in paper money. The Khotan branch of the monopoly, for instance, paid only 15 per cent of the price of furs and 20 per cent of the price of silk and cocoons with manufactured goods. The abuses of this monopoly caused so much discontent that General Chang Chih-chung was compelled to liquidate the company in 1946.

A new period began in 1943. Governor Sheng, having miscalculated the strength of the Russians, was cold-shouldered by them and had to come to terms with the National Government. The already badly inflated currency of the National Government began to pour into the province, adding to the existing provincial inflation. In 1943 the Provincial Commercial Bank alone was receiving national currency notes at the rate of a million dollars a day. The price index of wheat flour, taking June 1940 as 100, had already increased to 865 by December 1942. In 1945 it jumped to 75,000 and by September 1947 it was 517,500.

Inflation was compounded with other critical developments, 178
some of which had been long maturing, to form an explosive situ- 458
ation. In the first place, there has been a large increase of popula- 47

873

Some Work of the Cultural Progress Societies of Sinkiang (1936)

Society	*Wei-wu-erh*	*Ha-sa-k'o*	*Hui*	*Totals*
Central Office	1	1	1	3
Regional Branches	8	5	3	16
County Branches	41	8	14	63
Village Branches	23	?	?	23+?
Total Educational Institutions	1,980	207	37	2,224
Total Students	129,649	10,194	2,700	142,543

Currency and Finance

652

For currency stabilization and a practicable operating budget, Sinkiang Province has persistently required outside financial help. Not only was this true in the old days of the Chinese Empire but it was particularly true in the period just before and during Sheng Shih-ts'ai's rise to power. In the 1934-1941 period Sheng met the situation mainly by internal reforms and aid from Soviet Russia. But he has not yet got the problem licked.

For decades after the province was established, Sinkiang operated on a substratum of financial subsidy. The first annual grant came from the Manchu government and amounted to 600,000 taels. This was gradually increased until in 1905 it had risen to 2,980,000 taels. With the abdication of the Manchu Dynasty and the establishment of the Chinese Republic in 1912, the old subsidies—one year excepted—were discontinued. Various measures were taken in an attempt to cope with the new situation, but the principal method used for many years thereafter was issuance of provincial notes. These notes in turn began to bring on Sinkiang inflation. By 1934 that inflation had become seriously disturbing to the provincial economy.

436

Sinkiang has had a wide variety of mediums of exchange. Formerly, in addition to paper notes, these included silver coins, stamped silver "shoes," irregular bullion, and at times tea or even sheep. Paper provincial notes were first circulated in 1899, and were backed by a Tihwa cash reserve. Later "oil cloth notes" *(yu-pu piao)* were also issued by provincial bureaus at Sui-ting and Kashgar. These had a

436 sixty per cent note and a forty per cent bullion backing. Yang Tseng-hsin, military governor immediately after abdication of the Manchus, 652 even permitted additional notes to be issued to make up for discon- 436 tinuance of the imperial subsidy. It was, however, during the governorship of Chin Shu-jen and the years of the Moslem revolt that the gradual devaluation in Sinkiang currency became most alarming. In the period, 1912-1929, three Sinkiang dollars (taels or *liang*) at the lowest would exchange for one dollar of Chinese Nationalist currency (*yüan*). Yet by 1934 the Sinkiang note issue had grown so excessive—it is said to have amounted to more than 1,200,000,000 taels—that one Chinese Nationalist dollar at times would buy more than 4,000 Sinkiang dollars. How well Sheng Shih-ts'ai's administration met this serious predicament is suggested by the report that a Sinkiang Province dollar by 1942 had become worth six Chinese Nationalist dollars—although, to be sure, the Chinese Nationalist dollar had by then itself lost value through severe inflation.

Many Chinese writers attribute the change in the provincial monetary situation to Sheng's numerous reforms. Among such reforms, the 1939 reorganization of the Sinkiang Provincial Bank into a commercial [453] bank with an expanded field of operations is especially notable. This new Sinkiang Commercial Bank began to issue new notes, took steps to improve and to unify Sinkiang currency, and undertook to withdraw old notes from circulation. It has been remarkably successful in carrying out this program, and the Sheng Shih-ts'ai administration does deserve praise in this connection. But it would be a mistake not to realize that the greater exchange value of the Sinkiang dollar is in part due to at least two other major factors: (1) Sinkiang's protected geographical position at the rear of the Chinese War of Resistance; and (2) Soviet Russian credits. Chao Lieh, a Chinese authority on Sinkiang to whom I have already referred, gives these credits particular emphasis. By 1941, he writes, Sinkiang is said to have borrowed a total of 15,000,000 rubles from Soviet Russia. Though this money went for many purposes, such as purchase of machinery and trucks, one of its most important functions was to serve as backing for Sinkiang currency. It is doubtful if Sheng could have come near stabilization of his province's monetary unit in the years 1933-1941 without such credits.